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RUEHCV/AMEMBASSY CARACAS PRIORITY 1899
RUEHLP/AMEMBASSY LA PAZ AUG 9978
RUEHPE/AMEMBASSY LIMA PRIORITY 0812
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 0912
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UNCLAS QUITO 001887

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E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [EC](#)
SUBJECT: MINISTER OF LABOR CHIRIBOGA NAMED HEAD OF
PETROECUADOR

Palacio Reshuffles Petroecuador

[¶1.](#) (U) President Palacio replaced the board of directors of Petroecuador, and named Labor Minister Galo Chiriboga president of the state energy company on July 31. The decision comes after the failed July 27 auction of 17 million barrels of crude oil from Occidental's former concession, Block 15, which Palacio terminated at the eleventh hour. According to Minister of Economy Armando Rodas, Palacio was upset that the auction was ill-run and that many state-owned companies were unable to place bids on time.

[¶2.](#) (U) As the fifth president of Petroecuador during Palacio's time in office, Galo Chiriboga stated that his first priority would be overseeing the postponed auction of crude scheduled for August 4, in order to encourage greater participation from state-owned enterprises (only one state-owned company was prepared to bid). Chiriboga also said that he would work to strengthen the country's petroleum production capacity, work with the Ministry of Economy to create a trust fund that will facilitate the consolidation and professional technical management of Block 15, and try to improve communication and coordination with the Ministry of Energy.

[¶3.](#) (U) Subsecretary of Labor and Employment Dr. Jose Serrano will serve as interim Minister of Labor.

Comment

[¶4.](#) (SBU) Chiriboga's appointment signals that Palacio recognizes the need for better coordination between Petroecuador, the Ministry of Energy and the Presidency. Although he lacks experience in the industry, he is favorably known to us on labor issues. Chiriboga has served as Palacio's trusted fixer and fill-in before, stepping in as minister of government for several weeks, and is unlikely to diverge from his boss's wishes. The official story from the Presidency is that the invitation process was poorly run and that some state-owned companies (eg PEMEX) were invited to bid two days after closing. A downside of Chiriboga's departure from Labor is that it probably makes the needed labor code reform he had been championing even less likely before year's end. End Comment.

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